

Subject to approval by the Interim Committee

MINUTES
ENERGY, ENVIRONMENT AND TECHNOLOGY
INTERIM COMMITTEE
THURSDAY, AUGUST 24, 2006
4:00 P.M., HOUSE MAJORITY CAUCUS ROOM

The meeting was called to order by Cochairman Representative Eskridge at 4:10 p.m. Other members present included Cochairman Senator McKenzie, Senator Lodge, Senator Jorgenson, Senator Fulcher, Senator Kelly, Representative Anderson, Representative Andrus, Representative Nonini and Representative Smith. Ad hoc members Senator Snodgrass and Representative Jaquet were also present. Senator Gannon, Senator Werk, Representative Bell and Representative Stevenson were absent and excused.

Others attending the meeting were John J. Williams, Bonneville Power Administration; Stephen R. Thomas, Chevron; Ron Williams, Williams Bradbury; Gene Fadness, Public Utilities Commission; Rich Hahn, Idaho Power; Neil Colwell, Avista Corporation; Russell Westerberg, PacifiCorp; Kent Lauer and Russ Hendricks, Idaho Farm Bureau; Brenda Tominaga, Idaho Irrigation Pumpers and Idaho Ground Water Users Association; Representative Sharon Block, District 24; Courtney Washburn, Idaho Conservation League; Dar Olberding, Idaho Grain Producers Association; and Ken Miller, Northwest Energy Coalition. Arne Olson, E3, participated via telephone. Staff members present were Mike Nugent and Toni Hobbs.

The purpose of the meeting was to get updates from the subcommittees on what progress they have been making. It was decided that after the reports the cochairmen would review each report for problem areas or areas where more information or assistance is needed.

Subcommittee Reports

Generation Involving Renewables and Conventional Energy Sources

Representative Anderson gave the report for this subcommittee. He explained that the minutes from this subcommittee's August 10, 2006 meeting summarize his report in more detail. These minutes are available at: www.legislature.idaho.gov under the Energy, Environment and Technology Interim Committee section.

Representative Anderson stated that the subcommittee had, at this time, eliminated the discussion of coal due to the Governor's decision to opt the state out of the EPA Mercury Cap and Trade Program and what that would mean to various electric generation alternatives. He said, in his opinion, coal should be kept in the tool box and that the subcommittee consensus was that mercury is produced by other things that do not have the same monitoring requirements coal

does.

The subcommittee discussed low-impact hydropower. This is also known as “kinetic portion” and includes underwater windmills and the like. Information was provided that said this could provide a lot of power.

Representative Anderson said the subcommittee found that wind power is definitely part of the investor-owned utility IRPs and that it will be part of the future energy picture.

He noted that generation cannot be looked at without also looking at transmission. Wind farms in areas that do not have transmission do no good. He added that it is very expensive to build transmission.

In closing **Representative Anderson** said the presentations given were very encouraging as to how far into the future everyone is looking. Their next meeting is going to look at nuclear energy and a nuclear plant that is scheduled to go online in Texas in 2013.

Senator McKenzie asked, regarding coal, whether the subcommittee was planning to address opting in to the cap and trade program at a later time. **Representative Anderson** said they did not actually discuss that but it is a direction the state could go in the future. A presentation during the meeting did say that the rules could be changed regarding the cap and trade program at any time for Idaho. He said that many of the concerns coal brings about are not exclusionary to coal and that relying completely on renewables is not happening in any state in the U.S. In **Representative Anderson's** opinion he believes that the subcommittee will make a recommendation that Idaho opt into the cap and trade program.

In response to a question from **Representative Eskridge**, **Representative Anderson** said that the discussion of coal has been put to the side, not eliminated. **Mr. Olson, E3** said that there was discussion regarding whether coal should still be on the table for consideration and he does not think the subcommittee has reached a decision yet. **Representative Anderson** said that if the state remains on an opt out platform, no coal plant will ever be built in Idaho because coal power produces mercury. He stated that this is probably an issue the full Energy, Environment and Technology committee should address.

Representative Eskridge said, in his opinion, a full discussion of coal needs to take place outside of the mercury cap and trade program. This should include pros and cons of coal power inside and outside of the state as well as transmission and rail transportation issues. He said to leave out coal and not to discuss its merits and disadvantages would seem to be remiss in terms of baseload generation and that there needs to be recognition that coal could help meet Idaho's energy needs.

Senator Kelly commented that this subcommittee was not as far along as the others in terms of recommendations. She noted also that they met right after the Governor made his decision. On the other hand, she agreed with **Representative Eskridge** that coal needs to be discussed

whether or not it is going to be included in Idaho's energy plan. Idaho can actually opt in to the cap and trade program at a later date with different requirements. Rules can be made through the Governor's office that the Legislature would review for approval. She added that statute trumps a rule and that the Legislature could put something in statute before a rule is written.

Representative Anderson commented that INL is scheduled to speak at the next meeting and they could have a broader discussion of coal at that time also.

Conservation and Demand Side Management

Senator Lodge reported that this subcommittee held its first meeting yesterday. She said a lot of good discussion took place and the subcommittee is very knowledgeable. Their next meeting will be held on September 6 to develop policy and action items. She said that they did not get into policy discussion and wanted to give committee members a chance to look at the Western Governor's Initiative as well as the Nevada plan. She explained that information on the Nevada plan was being studied because that state is similar to Idaho as far as its resource mix.

Senator Lodge stated that the subcommittee discussed the State Energy Department and what they are asked to do with limited resources as well as the State Building Codes and the fact that they are not uniform throughout the state. The issue of whether new buildings, especially school buildings, are being built according to current energy efficiency standards was also discussed.

Senator Lodge noted that the subcommittee realizes that it will take a tremendous education program to make people aware that all consumers are responsible for the conservation of energy. She stated that it is apparent that the utilities are doing a good job and are ahead of the game in preparing for the future energy crisis.

In response to a question from **Representative Anderson** regarding the water conservation issue, **Senator Lodge** said there was discussion that power plants be placed near water (not over aquifers) and that they use new air cooled technology. **Representative Anderson** clarified that this is a water saving concept that uses air cooled radiated power plants. He suggested that the subcommittee reevaluate some of the testimony regarding costs because this is very expensive.

Senator Lodge thanked the utilities for the consideration and testimony they gave to the subcommittee and the information they provided.

Senator Lodge said there seemed to be some consensus that the Legislature may be able to provide some assistance to the State Energy Department as well as looking at ways to make the State Building Codes uniform throughout the state.

Representative Eskridge asked, regarding an energy policy statement for the state, whether the subcommittee discussed going beyond the State Energy Department as it currently exists and whether they discussed using mandates instead of incentives in order to achieve conservation goals. **Senator Kelly** said they identified areas where disincentives existed and where to provide incentives and to encourage good behavior. In response to a question from **Representative Eskridge**, **Senator Kelly** said they would be discussing policy statements and

action items more specifically at the next meeting.

Siting Generation and Transmission

Senator Fulcher gave the report for this subcommittee.

A presentation was given by the PUC regarding siting transmission lines and how state authority could be usurped by the Federal Energy Regulatory Commission pursuant to Section 1221 regarding National Interest Corridors. As a result of this the subcommittee passed a motion that would place transmission siting authority with the PUC for National Interest Corridors.

The subcommittee also passed the following motions:

- C That a memorial be drafted supporting an amendment to the Internal Revenue Code regarding the private activity definition as enumerated by **Mr. Williams**.

This definition deals with supporting legislation that would provide tax exempt status for bonds issued by state agencies that expand interstate transmission or pipeline capacity.

- C That legislation be drafted to provide a sales tax exemption for materials used in transmission facilities or distribution lines.
- C That the State Energy Plan should have language to develop pertinent incentives to have long-term investment in transmission facilities.

The final motion the subcommittee passed involves the following bullet points. These were considered to be possible consensus points.

- C The state should not create another layer of bureaucracy for purposes of a siting authority.
- C There should not be both a state and local energy facility process that could result in project disapproval (the intent of this is that they not conflict with one another).
- C The state should take advantage of existing processes and agencies to the maximum extent.
- C The energy facility siting process should ensure that energy facilities can be sited in Idaho under public oversight.
- C A state process, if there is one, should be a backstop to existing local processes.
- C Incentivize low water consumption as part of siting.

Senator Fulcher said this last bullet was discussed with the conservation committee and they will address it.

The substitute motion involving these bullet points that was voted on is as follows:

These (bullet points) represent the current processes in siting in Idaho that the subcommittee believes should be contained in any change to the current siting process. The bullet points represent the current siting process and the subcommittee recommends no change to the siting process.

Senator Fulcher stated that this subcommittee did not pursue discussion of more specifics in the siting of generation due to the fact that the governor had opted Idaho out of the cap and trade

program. He added that if the full committee thinks more discussion regarding siting is necessary, they will have another meeting.

In response to a question from **Representative Eskridge** regarding the fact that the subcommittee did not pursue siting further because of the cap and trade issue, **Senator Fulcher** explained that the above bullet points deal with siting but that the subcommittee did not deal with development of an actual siting authority (generation).

Representative Eskridge stated that there are different generating resources besides coal that need to be sited. He asked if the subcommittee recommendation was to leave siting as it is. **Senator Fulcher** said their only recommendations were those bullet points. A siting authority was not discussed because it was assumed that any development of baseload resources in Idaho would be mercury emitting. He agreed that generation siting will have to be addressed at a future date and that the subcommittee would do so. **Senator McKenzie** agreed that the siting issue will come up again and thinks it needs to be discussed regardless of the coal issue.

Representative Andrus said that this full committee is charged with developing a comprehensive energy policy for the state and, in his opinion, that policy should not be determined based on the current governor's decision to opt out of the cap and trade program. That opt out decision can change at any time. **Senator Kelly** agreed with **Representative Andrus** and added that at any time the state could get an application for any type of power plant that would have community concerns. The question is what should be taken into account when that happens.

Representative Anderson said that the subcommittee also discussed legislation that would help existing agencies deal with certain issues such as water usage. This could enable agencies to have a more active role in siting issues.

Senator Fulcher agreed with **Representative Anderson**. He reread the substitute motion as their recommendation but said they did not go further to discuss where that siting authority should lie. He said this would also be discussed at a future meeting.

Representative Eskridge stated that he would like definitive policy issues from the subcommittees for their recommendations. **Senator Kelly** agreed and said she would also like to see some of the thought process of how the subcommittees reached their recommendations and maybe a summary of the pros and cons that were discussed. **Representative Eskridge** agreed and said that the full committee needs to know how and why the subcommittees decided upon their recommendations.

Senator Fulcher reiterated that the subcommittee would meet again if necessary. He added that with the nature of the topic and the subcommittee make up, it is unlikely they will reach a unanimous consensus. He added that the subcommittee will come back to the full committee with recommendations and how they were reached.

Representative Snodgrass said, in his opinion, the subcommittee did address whether or not to form a separate siting authority. He thinks the motion that was voted on did express the subcommittee's views. If there are more questions regarding how they reached their decision, he said he or **Senator Fulcher** could elaborate further about those discussions.

Natural Gas and Transportation Fuels

Mr. Mike Nugent, Legislative Services Office, gave the report for this subcommittee. He stated that the subcommittee did not resolve the issue of ethanol due to the fact that a meeting was being held on the issue by interested parties. This subcommittee plans to meet again on Sept. 7 to discuss ethanol and to make recommendations.

The subcommittee heard presentations on Natural Gas, Petroleum and Biofuels, **Mr. Nugent** summarized the following proposed policy goals:

Natural Gas:

- C Encourage the highest and best use of natural gas
- C Encourage direct end use in applications for which natural gas is the most efficient energy source
- C Where appropriate and cost-effective, encourage use of natural gas vehicles for company and/or state-owned fleets

Note: conservation goals will be considered after input from the Conservation and Demand Side Management Subcommittee

- C Support responsible exploration and production of natural gas supply and expansion of transmission, storage and distribution infrastructure
- C Support nontraditional natural gas supply resources, including landfill methane, anerobic digesters and biomass methane
- C Support siting of LNG terminals in the U.S., as well as an infrastructure that provides delivery capability to Idaho

Petroleum

- C Promote conservation as primary means of improving the reliability and cost of Idaho's transportation fuel supply while also encouraging development of new resources
- C Support responsible exploration and production of petroleum supply and expansion of transmission, storage and distribution infrastructure benefiting Idaho
- C Work with other states to promote increase in the Federal CAFÉ standards
- C Encourage use and purchase of hybrid, high mileage, alternative and flex fuel vehicles
- C Explore opportunities for adoption by private and state-owned fleets, public transportation and school buses
- C Promote use and expansion of public transportation where effective in reducing vehicle miles traveled, including intercity transportation where feasible
- C Promote reduction of truck and tour bus idling
- C Investigate encouraging use of rail and intermodal freight transportation where feasible

Biofuels

- C Adopt measures promoting growth of all types of biofuel feedstock and biofuel

- production
- C Maintain flexibility to adopt to changing and improving technology and adjust to price and supply issues in a maturing market

Representative Eskridge commented that one of the issues with ethanol is distribution and asked whether the subcommittee discussed how to get ethanol to market from an ethanol plant.

Mr. Nugent said it was hoped that would be addressed at the next meeting of the subcommittee. He noted that since they last met, New York state has passed legislation stating that fuel distributors could not discriminate against ethanol based products.

Mr. Steve Thomas, Chevron, said ethanol interests have had two or three meetings and will meet again on August 29. He said they are working on a lot of ideas and he cannot say where they will end up. **Representative Eskridge** expressed hope that progress can be made because opportunities exist in this area.

In response to a question from **Senator McKenzie**, **Senator Kelly** said this was a very broad-based discussion and that she anticipates more detail from the next meeting.

It was decided that conservation of transportation fuel would be dealt with by the Transportation Fuel Subcommittee and that the Demand Side Subcommittee would deal with conservation of electricity.

Representative Eskridge quoted Senator Craig who said "if everyone would reduce their use of gas by 5%, there would be a surplus almost overnight."

In response to a question from **Representative Anderson**, **Representative Eskridge** commented that each subcommittee needs to look at all issues. He said the committee does not want to force something on the citizens that might have unintended consequences. He said there is also the need for flexibility in a state energy policy so that it can take technology changes and advances into consideration.

The next meeting of the full committee was scheduled for October 6, 8:00 a.m. in Boise.

The meeting was adjourned at 5:30 p.m.